

# **THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT**

## **The Purchase Price Formation in the Ceramic Industries from Rondonia's Amazon**

**Ademir Luiz Vidigal Filho**

Department of Business Administration, Federal University of Rondônia- UNIR  
Master of Administration- FEAD- Minas Gerais, Brazil

**Lucélia Largura Do Vale**

Department of Business Administration, Federal University of Rondônia- UNIR  
Master of Administration- FEAD- Minas Gerais, Brazil

**Lindsay De Oliveira Mesquita Torres**

Professor, Federal University of Rondônia- UNIR  
Master in Environmental Science and Sustainable, Amazon-CCA/UFAM, Brazil

**Diogo Gonzaga Torres Neto**

Professor, Federal University of Rondônia- UNIR  
Master in Environmental Science and Sustainable, Amazon-CCA/UFAM, Brazil

### **Abstract:**

*The ceramic industry in Rondonia is composed of small and medium-sized manufacturers roofing tiles, bricks and floors, with production of 356.183 tons of clay, with 2.17% of the State GDP. This study is intended to problem, issue, frequency, the pricing process, research is applied, and descriptive qualitative approach consisted of four case studies in ceramics and associated ANICER and SINDICER - RO. The methods of data collection were semi-structured, structured, non-participant observation and documentary data. Data analysis was developed by triangulation. There were similarities in the manufacture of ceramic products, the difference lies in the product line, the burning process and cost controls. The pricing is done by the owners, using Mark-up, prioritizing competition, the beaconing; the price is racketeer influenced by competition the strategy to seek cost leadership and presented the percentage of net definition of professional experience.*

**Keywords:** Price Formation. Costs

### **1. Introduction**

The ceramic industry, ceramic red or structural is an industrial segment of intensive use of labor. In this sector, prevail on one side the small, family with essentially technical craft and, on the other, small and medium-sized businesses that use traditional production processes (MME, 2010). The macro sector ceramic<sup>1</sup> in Brazil has a stake in national GDP of about 1.0 %, and presents characteristics of capillarity in the economic scenario. The ceramic sector red accounts for approximately 0.4% of the country's GDP, equivalent to R\$ 6.8 billion/year, second DTTM /SGM/MME of IBGE (2008). It has about 5,500 registered factories and about 2,500 other units' production.

In Rondonia according to data from the SEPLAN (2010), exists in the state 97 companies in the Ceramic sector in 2009, with production of 356,183 tonnes of clay, with a share of Gross Domestic Product in Rondonia, R\$ 48 million Brazilian reais, in billings with the products of the sector such as: bricks, blocks and seal structural natural tiles and colorful, inserts, pipes, and floors. The recent growth of the industry gives the expansion of buildings in masonry, which also heated the production of tiles. This change is recent and has favored the ceramic companies, generating more jobs and development to the region.

The strong growth of the ceramic industry in Rondonia presents a high demand for the products, mainly due to the ease of credit for buildings and reforms. Customers wait for up to 30 days to receive the products. The ceramics cannot generate inventories of finished products. So, studies on the process of price formation in the region, have not yet been carried out. Form prices involve making decisions that require analyzes for a time of short, medium and long term. Immediate Decisions regarding the price formation can compromise the perpetuity. Zornig (2007, p . 66) Says that "develop a strategy of price involves the balance between benefits and value offered and prices".

<sup>1</sup> Ceramic Macrossetor: involves ceramic red, white ceramic, ceramic tiles, insulation, thermal, refractory, special (fries and dyes), abrasives, glass, cement and lime

The strategic pricing and administration of prices are strategic issues, entered the company's business model. For Bernardi (2010), this action is possible and within reach of any company, and provides the creation of value for the customer. And establish prices and price strategically may be different, because it is important to react to market conditions and log management with proactivity. This vision, Naglen and Holden (2005) affirm that the strategy of pricing is the coordination of marketing decisions, financial and competitive inter-related to maximize the ability to set prices with profitability.

The sector ceramist, in analysis, is inserted in a competitive environment. From the analysis of the cases, it is intended to identify how is founded on the quality and price of the products, the challenge to give continuity to ceramic companies on the basis of profit. Thus, such a search check if the managers of the companies in this industry give due importance to the process of price formation for the sale of their products.

The research aims to analyze the process of formation of the selling price in the industry ceramists of the state of Rondonia. For both, the article describes the process of estimation of costs in the formation of prices of ceramic products, identifying the variables that influence the process of drawing up the selling price in ceramic industry and the importance of competition, having in view the strategies employed in the formation of the price of products.

The qualitative research consisted of four case studies of relevant companies in the sector ceramist, all associated with the National Association of Ceramic Industry of the state of Rondonia (ANICER - RO) and Syndicate of Ceramic Industries of the State of Rondonia (SINDICER - RO). The methods of data collection consisted of interviews semi-structured, structured questionnaire, non-participating observation, and documentary evidence. The analysis of the data was carried out by means of triangulation between the methods of data collection, in the construction of the analysis of the case study multiple. The content analysis characterized by categorical approach considered the description of methods of setting prices, whereas the tripod of pricing, costs, consumers and competition. The comparative analysis of case studies confirms that the most frequently used method to form selling price is based on competition, which is characteristic of strategic posture as an observer.

## 2. Theoretical Framework

The correct decision-making in training, strategy and management of prices is increasingly worrying in the life of the managers, because a correct management of sales prices will influence directly on the company's bottom line. Sardines (1995) says that the modern business means the price as one of the variables of the marketing policy, which presents as a function serve the overall objectives of the organization, whatever the objective stipulated price should be fully adjusted to the strategy.

The merchandising aspects are fundamental to the definition of the strategy of price formation, and should be analyzed on the basis of conditions that the market establishes. "The definition of price is the moment of truth - everything in marketing comes into focus in decision of price" (NAGLE AND HOLDEN 2005). According to Dutra (2003, p. 32) Price "is the value established and accepted by the seller to make the transfer of ownership of an asset. The price may or may not be included, in addition to the cost, any profit or loss." Dolan and Simon (1998, p. 38) DEFINED as "the price is a sacrifice economic that the consumer is to purchase a product or service. This sacrifice is always compared with their perception of the value of the product. Price and value are important in all transaction cost".

The lack of development of drivers that allow the company to explore more right the market in which the company is inserted is a serious situation. There is a need to understand the value that customers can obtain the products, as well as the structure of the market and the product life cycle, and manage a wide range of information that will make the company explore your competitive advantage or create such benefits.

Viewing an array that expressed with clarity the variables involved in competitive advantage, Porter (2004) divides the strategies from the strategic scope and the competitive advantage of the organization, indicating the leading price, focus on cost, differentiation and focus on differentiation. The first strategy, which has become quite common in the 1970s due to the popularization of the concept of curve of experience, is to achieve the leadership in total cost in an industry by means of a set of functional policies geared to this basic goal. Porter (2004) argues that the leadership in cost requires aggressive construction of facilities in scale efficient, vigorous pursuit of cost reduction by experience, a rigid cost control and general expenses not allowed the formation of marginal accounts of customers, and the minimization of the cost in areas such as R&D, service, sales force, advertising etc.

The differentiation is the second generic strategy, where the product or service offered by the company has a need to create something that is regarded as unique. The methods for this differentiation can take many forms, according to Porter (2004, p. 39) "project or brand image, technology, peculiarities, services under ordering, supply chain, or other dimensions". The differentiation, if achieved, is a viable strategy to achieve returns above the average, because it creates a defensible position to face the five competitive forces (Incoming potential, Suppliers, Competitors, substitutes, Buyers).

Martins (2003 p. 218) Says that calculate price based on costs is to determine the "price of inside out", where the starting point is the cost of the good or service determined in accordance with a method of costing. Bruni and FamÃ (2011, p. 266) Declares that "the pricing on the basis of the costs is simple, because in this case does not need to worry about adjustments in the light of demand, since it is known that the costs incurred are included in the price". In general, one of the methods most often used for the formation of prices is that they are based on the costs. Bernardi (2010) presents four aspects: a) price and survival, (b) competitiveness, c) rotinizaçã of decisions and d) price structure. The pricing model based on cost part of that Bruni (2008, p. 258) SHALL appoint as pricing "front to back", because from the product or service is that begins the construction of the selling price. Martins (2003, p. 219) Contributes in this feeling by saying that some of the deficiencies of form price based on costs is "not consider, at least initially, the additions of the market, fix the percentage of coverage of fixed costs in an arbitrary manner".

The *Mark-up* is a method used by companies and consists of creating a rate of marking which can be estimated to cover the costs not included in the cost, taxes and commissions incidents on the price and the desired profit by administrators. Hojís Representative (2009, p . 125) Says that the *Mark-up* is a rate pre-determined that adds on a basis (total cost, variable cost, cost of raw materials etc. ) with the aim of determining the sale price. It is in addition to the cost per unit of product a profit margin to get the sale price. However, critical to this definition are recognized, by being simplistic because part of the costs of a company cannot be defined as a unit value, but as a percentage of revenue (taxes, commission, *royalties*<sup>2</sup> etc. ). So, it must be working on marking with an index applied to the cost of a good or service which will be applied a margin that admire the profit and expenses that occur as a function of revenue.

The decision making of consumers is closely linked to the comparison of the price of a product with another competitor. This trial has as its premise the brand strength of the companies and the perception of the differences between the products. If they are similar and provide the same benefits, then the decision will be based on the variable price. According to Sartori (2004, p. 94) the process to observe on the basis of the competition "takes as the basis of the price that the other competitors charge, causing the price chosen is equal, greater or less than that of rivals".

Assef (2011, p . 59) Says that "the price on the basis of competition is without a doubt the simplest method, because it simply follow the prices charged by direct competitors and follow them, keeping or not the same value, in accordance with the objectives of results." The company establishes its price at a higher level, equal to or less than the price of its competitors, which directly affects the scope of operation of the company, making the company to become more competitive.

The problem of pricing with reference to costs is to set a value that is sufficient to ensure that each product or service, individually, cover the costs and expenses generated by it (costs and variable expenses) aggregating contribution, and, also, to do with the sum of all contribution generated by the products and services is sufficient to ensure that the company covers its costs and fixed costs, and also create wealth enough to remunerate investors (BRUNI 2008).

The process of price formation is subject to changes in the academic scenario . For this study, were significant the studies cited below, which shows how some companies engaged in training of the sales price , demonstrating the difficulties encountered and the challenges to be overcome. Oliveira (2012) conducted qualitative research and quantitative, by means of 80 questionnaires and 10 semi-structured interviews the managers of companies. The study of the estimation of costs and pricing in the retail trade of micro and small enterprises of Curvelo - MG shows that companies in an informal way, without the use of a structured system and disregarding the techniques of cost control and training of existing prices in theory. The study revealed the absence of a *software* or even a spreadsheet structured to assist the decision-makers on costs and prices

The research performed by Miqueletto (2008) on the analysis of the process of price formation in logging companies large Curitiba and its Metropolitan Region, it was found that the formation of the selling prices of products follows the various techniques and strategies. However, the oldest and, therefore, the most used is the formation of prices by means of calculating the costs of the products. Thus, the objective of the study was descriptive, with a quantitative approach. The sample selected intentionally consisted of five companies. The results of the survey show that companies adopt the cost models such as absorption costing and direct costing. Many companies still do not have adequate programs to its structure, and are not clearly defined. According to Souza *et al* (2006) in his article price Formation in informal retail: a study in the cities of Santa Maria /RS and Belo Horizonte/MG, the determination of the selling price of their products is an important activity on the essential points and vital The companies, the research described in the article show the data that have been collected by means of *surveys* and it was observed that in relation to the costs, most of the respondents do not consider the price formation expenses with ICMS, freight, transport and insurance, or selling and administrative expenses, and The vast majority of retailers informal combines the method of *Mark-up* to the analysis of the prices of competitors and is following the trend of the market.

According to Souza *et al* (2007), in his analysis of the process of price formation in retail clothing: a case study in Belo Horizonte/MG, the pricing is based primarily on information about costs, prices of competition and consumer behavior, several difficulties were observed, among which: Lack of complete and accurate information (trusted), informality of procedure and professionals with technical quality limited.

### 3. Methodological Procedures

The nature of this research is applied, descriptive and qualitative approach. The survey consisted of four case studies of relevant companies in the sector ceramist, all associated with ANICER and SINDICER - RO. The methods of data collection consisted of interviews semi-structured, structured questionnaire, non-participating observation, and documentary evidence. The analysis of the data was carried out by means of triangulation between the methods of data collection, in the construction of the analysis of the case study multiple. The content analysis characterized by categorical approach considered the description of methods of setting prices, whereas the tripod of pricing, costs, consumers and competition. Finally, it was possible to carry out a comparative analysis of case studies, identifying the converging factors in the process of price formation.

Raupp and Beuren (2006) reported that the descriptive research is commonly used for the analysis and description of research problems in the accounting department. The qualitative approach will describe the complexity of the problem being investigated, by analyzing the interaction of certain variables, so that you can understand and classify dynamic processes experienced in business environment (RICHARDSON, 1999). Raupp and Beuren (2006, p . 96) Claim that the qualitative approach has been used in many studies that investigate the accounting practice. The authors point out that "although the Accounting deal intensively

<sup>2</sup> Royaltie is the term used to designate the importance paid to the holder or owner, or a territory, resource natural, , , produto marca patente of product.

with numbers, it is a social science, and not an exact science as some might think, which justified the relevance of the use of the qualitative approach".

For the definition of the data collection procedure, we decided to study case. Such characteristics have been chosen by the importance of investigating a topic recently applied to the reality of Brazilian companies. Thus, the case study was selected as most appropriate approach, through the interest in describing the impacts identified by dynamic technological changes that impact the accounting management and consequently, the organizational performance.

Ludke and Andre (1986) consider that the case study emphasizes the interpretation in context. AND, favors a better understanding of general manifestation of a problem, considering the actions, perceptions, behaviors, and interactions of persons related to the specific situation where they occur, or the problematic determined that are linked. As to the form of the work, the authors have identified three stages in the development of a case study: a first open or exploratory, a second more systematically in terms of data collection and a third, with the analysis and interpretation of the data, followed by the production of a report. The research developed from the case study method, by the fact of being a study of phenomenon as well delimited, should not give rise to claim to promote some generalization, this being a marked limitation as to relevance.

For Kilpatrick (1988) a case study is not, in itself, a research methodology as well defined, but essentially a design research. It is a type of research that has always been a strong descriptive. The researcher does not want to speak about the situation, but make it known as she appears. For this reason, supports a "thick description" (thick description), that is, factual, literal, systematic and, as far as possible, full of its object of study. However, a case study does not have to be merely descriptive; it may also have a deep analytical range; can interrogate the situation; confront the situation with other situations already known and with the existing theories; help generate new theories and new questions for future research (MERRIAM, 1988; YIN, 2001).

According to Pozzebón and Freitas (1997:3), the case study is defined as the examination of a phenomenon in its natural environment, the application of various methods of data collection; in order to obtain information from one or more entities, appear an exploratory. Among the reasons for the choice of the case study are to understand the nature and the complexity of the process and search for an area in which few previous studies have been conducted (POZZEBÓN and FREITAS, 1998).

Martins (2008) presents a critical reflection on the use of case study research in Brazilian scientific, and scores that:

*The case study is suitable for the construction of an empirical research that research phenomena within its actual context - research naturalistic ( ... ). Sustained by a theoretical platform, brings together the largest possible number of information, according to the issues and propositions guiding the study, by means of different techniques for gathering information, data, and evidence. As you know, the triangulation of information, data and evidence ensures the reliability and validity of the findings of the study. (MARTINS, 2008, p. 10).*

A case study is an investigation of empirical, is heavily based on field work. Parses a given entity in its real context, taking every possible advantage of multiple sources of evidence such as interviews, observations, documents, and artifacts (YIN, 2001). The reports of a case study usually take the form of a narrative, whose purpose is to tell a story that add something meaningful to the existing knowledge and is, as far as possible, interesting and illuminative (Stake, 1988). Data collection methods consist of semi-structured interviews, documentary data, participant observation and application of structured questionnaires.

The data were collected in interviews, and people sought to assure the validity and reliability of the results of this research with the "careful attention to the conceptualization of the study and the way in which the data are collected, analyzed, and interpreted, and the form in which the discoveries are presented" (MERRIAN, 1998, p. 200). The three principles, informed by Yin (2001) for data collection, were observed: build, throughout the study, a database; forming a chain of evidence; and analyze the evidence. It is recommended that the data found throughout the study are stored, allowing access to other researchers.

The interviews were semi-structured, that for Triviños (1987: 138), is one of the "most crucial to study the processes and products that you are interested in the qualitative researcher". In addition to this approach, we used a structured questionnaire at the end of data collection to validate the interpretation of the facts presented. Another form of data collection consisted of the documental analysis involving the analysis of systems, forms and reports used. During the interviews, the analysis of the data began with annotations of researchers in his field diary. After the end of the interviews, began the step of transcription. At this stage, the rudimentary analysis, with the first encodings of data (MERRIAM, 1998).

The data collected were subjected to various analysis techniques, including: content analysis, technique of triangulation and modeling. The content analysis was used with the purpose of clarifying and systematizing the contents of the message, through the confirmatory analysis of data. For Bardin (1977), content analysis is as a set of techniques for the analysis of communications, and Babbie (1999:71) expresses that "content analysis has the advantage of providing a systematic examination of materials in general evaluated more impressionística". The triangulation was crucial to ensure that the data collected from different sources were analyzed in an integrated manner. The modeling has allowed us to recreate the context in which the data were generated.

Triviños (1987) says that the study of cases multiple differs from the comparative study of cases, due to the fact that providing the researcher the possibility to study two or more organizations without the need to pursue objectives of comparative nature. Research in the area of applied social sciences, for the studies in business, has used the method of case study multiple regularly, as can be seen in the work of Clear (2004), de Souza and Passolongo (2005), Conejero and Neves (2006) and Smith *et al* (2008).

#### 4. Results and Analysis

The ceramic red or structural is an industrial segment of intensive use of labor, where prevailing on one side the small, family with essentially technical craft and, on the other, small and medium-sized businesses that use traditional production processes. The geographical location of the factories is determined firstly due to the location of the ore body (due to the large amount of raw material processed) and, secondly, depending on the proximity of consumer centers (in view of the costs of transport). The

income of the segment tends to stay in the places of production, economic and social impact significant. The main products are bricks, blocks of seal and structural, roofing tiles and natural color, inserts, pipes, floors, among other materials, also called Red Ceramic.

The four firms analyzed in this research has as its characteristic, the fact that they have a line of products that are more complete than other companies in the sector ceramist, and because they have better technology for the production of ceramic products. In addition to possessing greater market share, according to data from the SINDICER-RO. It presents a brief profile of the companies, in order to ensure that the decisions of price, estimates should be made on factors such as location, products produced, number of employees, type of furnace used for the firing of the ceramic material, foundation year, and data with respect to the export to other states. For better visualization of the profile, the data are presented in Table 1.

Company	Location	Products	Number of Employees	Type of Oven	Year of Foundation	Exports/ State
The	Pimenta Bueno	Roofing tiles, bricks, floors	120	Vault and Tunnel	1979	Yes
B	Cacoal	Tiles, Bricks	75	Vault	1989	Yes
C	Cacoal	Tiles, Bricks	145	Vault and Tunnel	1983	Yes
D	Ji-Parana	Bricks	85	Mobile	1979	Yes

Table 1: Profile of surveyed companies  
Source: Data from the survey (2012)

#### 4.1. Company

The company was founded in 1979. With headquarters in Pimenta Bueno-RO, associated with SINDICER - RO currently have 120 employees, produce: tiles, bricks of various models and ceramic floors. Sell out of the state of Rondonia mainly for the state of Acre - AC and Mato Grosso - MT. The product that most stands out is the line of tiles with a higher volume of sales.

Responsible for the process of formation of the selling price of the company is the son of the owner, who is currently the general manager of ceramics A. He is enrolled in higher education in Business Administration, has 32 years of age. The process of product pricing in the company is held by an administrative group, which is formed by general manager and vendors in a total of 5 (five), and two internal and three external.

The company has no internal accounting and controls are carried out with the aid of *software*, limited only to finance, specifically the accounts payable and to receive, there is no rigid control of fixed and variable costs, the company controls costs more important in the composition of the selling price, which according to what has been observed is formed by direct labor and the inputs that are classified as: sawdust, fuel consumed in the extraction process of the clay, the clay and the electrical energy, which are important in the formation of the selling price of ceramic products. The company classifies as expenditure; the staff of the office and the administration of the company. There is No criterion for allotment for indirect costs to products. The direct costs are monitored monthly by the financial company that distributes the production carried out in the period.

After the survey of the cost of the products, is performed an analysis with the prices charged by the market, where it is placed a margin *Mark-up*, adopted in accordance with the note, because the company uses as a process of pricing competition. The difference between the price and the direct cost of the product contributes to the payment of indirect costs of the company. In the process of pricing notes that the company prioritizes cost, analyzes what the customer would pay for their products, but the determining factor for alignment of price competition.

The margin of the company suffers the influence of climate, because during the rainy season the demand for the product drops which causes a reduction in sales and prices. Already in the dry season the profit margins are increased due to the increase in the demand of the product. The company differentiates itself from the others in the production of bricks to finish. It was observed that the vendors internal and external exert a strong influence in the process of pricing of company, especially with relation to cover the price of the competitors at the time of negotiation.

#### 4.2. Company B

Company B was founded in 1989. With headquarters in the city of Cacoal-RO, associated with SINDICER - RO and the ANICER - RO currently has 75 employees, produce: tiles, bricks of various models. It sells mainly for the local market and within the state of Rondonia. The product that most stands out is the line of tiles with a higher volume of sales. Responsible for the process of formation of the sale price of the company is the owner, who takes on the role of manager, has incomplete higher education and age of 31 years.

Controls only the direct costs of manufacture, through software *Microsoft Excel*. The main inputs controlled are: fuel, labor, electricity, firewood and maintenance of equipment which enables the company has an estimated value of direct cost of products. For the pricing of the products the company uses a margin *Mark-up* that is applied to the cost of the product and its prices are rated higher than the price charged by the market, because the company has a well-known brand. In delineating the price with the market the company prioritizes the competition, analyzes the direct costs of products and finally examines what the customer is willing to pay.

The policy of price adjustment is generally linked to the increase in the price of the competitors, the company increases its selling price and sends the table with the adjust the other companies for the same make their adjustments. The businessman reported that

formerly had agreements with respect to prices, but currently each puts his price, he said that some companies do not coming to a conclusion then each one is making your selling price and passes the table one for the other, around two months almost all are following more or less the same price, one based on the price of another.

The definition of profit margin is related to the professional experience, the businessman said that due to its option to work with prices above the market average, sometimes they have difficulty in making sales, but the image that has against competitors and your brand help you practice these prices. The more difficult the process of formation of the sale price is the illegality of the sector, because many companies don't bother to improve their production, legalize the ore body which extract the raw materials, and even the legality of the contract of employment with their employees and the issue of fiscal note, because their sales are all performed within the municipality itself which facilitates the illegality.

The strategy adopted to combat the competition and improve your profit margin is the investment in production technology and reduction of fixed costs. The businessman said that is making investments for the modernization of the company, more than a million and a half in the dryer for the ceramic products and more than a million in machinery to increase production and reduce costs, starting with the decrease in the number of employees, at around 12%. The consumption of firewood in virtue of the burning time of the products will be reduced by around 15% to 20% after the investment.

The company is highlighting the quality of products, which provides a greater margin due to perceived quality by consumer market which is willing to pay a slightly higher price than that charged by the competition. It was observed that the direct and indirect costs the company B has little control in their manufacturing process, the entrepreneur reported that does not have security in price formation due to lack of control.

#### 4.3. Company C

The company C was founded in 1983. With headquarters in the city of Cacoal-RO, associated with SINDICER-RO the ANICER-RO, currently has 145 employees and produces: tiles, bricks of various models, products that are sold to the states of Acre, Mato Grosso and Amazonas, in addition to cater to the market of the state of Rondonia, where this located its headquarters. The product that most stands out is the line of tiles with a higher volume of sales, which makes the company the industry leader.

Responsible for the process of pricing is an official accounting technician, which this attending higher education course in this area, being the responsible for the sector of the company's internal accounting, has 53 years of age and has been working for more than 20 years in ceramics. It should be emphasized that this is the only company that has an official responsible for the formation of selling price, in other companies is always the owner.

The company has internal accounting and controls are made with the help of *software*, which assists in the control of fixed and variable costs, in managerial accounting. There is strict control on the composition of the sales price where are taken into consideration production inputs such as: raw materials, direct labor employees, maintenance of equipment directly related to the production and the power directly. The counter of the company ranked as the higher costs the extraction of clay and the maintenance of the equipment.

The costs linked to the firm's administrative, office staff and cost for your operation are taken into account in the process of pricing. Uses the criterion of absorption costing for the apportionment of indirect costs to products. Which are monitored monthly by the accounts department of the company that distributes the production carried out in the period.

The process of pricing is carried out by adding to the cost of a product margin *Mark-up* which normally follows the edge of the market, the main factor that serves as the basis for the formation of price of the company is the competition. The company has the highest price the market due to its brand and the quality perceived by the consumer.

According to the interviewee, the ceramics of Pimenta Bueno always ambulance to increase the price of products, "but we know that they are not practicing the same price, always below, are waiting for the opportunity of adjusting selling price to occupy your space on the market". The company adopts the strategy of having a lower cost than their competitors to maximize the outcome of the company, due to the volume produced and the cost reduction achieved thanks to the high technology of the equipment used in the production process.

#### 4.4. Company D

The company D was founded in 1979. With headquarters in Ji-Parana-RO, associated with SINDICER - RO and ANICER-RO currently have 85 employees, produce: bricks of various models. Sells only in the state of Rondonia. The product that most stands out is the line of bricks with a higher volume of sales.

Noteworthy are the modern equipment and the capacity for the production of bricks, and the oven mobile that is cost-effective by reducing the cost of manufacture. Responsible for the process of formation of the price for the sale of the company is the owner, who is currently the general manager of ceramics, has completed high school and 52 years old. The price of the products produced in ceramics is defined by the owner of the company with the help of one of the sons of the entrepreneur.

The company has no internal accounting and controls are made by the company's employees. There is *software* to limited financial and company controls costs more important in the composition of the selling price of products such as: direct labor, the wood, the fuel required for the extraction of clay, the clay and the electrical energy that is important in the formation of the selling price of ceramic products. The company does not include indirect costs, soon has no criterion for allotment. The direct costs are monitored monthly by the financial company that distributes the production carried out in the period.

After the removal of the direct cost of the products, is placed a margin *Mark-up*, adopted in accordance with the market experience of the owner, this margin is marked mainly by the value that the consumer pays for the product. It should be emphasized that this ceramic precifica their products based on the customer's perspective.

Taking into account that the entrepreneur analyzes finally the competition factor in the process of pricing, for being a leader in production and sales in the region where the company is installed. Its price is followed by other local businesses. The adopted strategy against competitors is in reduced manufacturing costs, quality and variety in the product line.

#### 4.5. Analysis and comparison of the results of the interview

The surveyed companies have similar feature in the manufacturing process of their products. The difference is in the line of products and in the burning process. Companies A and C use Vault ovens and Tunnel, the ceramic B only oven Ware and ceramic oven D mobile. The Tunnel ovens and Mobile are the most cost-effective and highest production capacity, and it has a higher cost of installation, i.e. greater investment. The oven type Ware is the most common and less investment, on the other hand consume more wood, but are present in most ceramics of this sample.

It is observed that the main direct costs are related to the extraction of clay, which is the main material for the production of ceramic products. The fuel is included in the extraction process, because the process is all done with heavy vehicles such as backhoe, shovel loaders and trucks. The cost of storage and delivery, even being direct to products, are lower values and irrelevant.

The ceramic C has the best costing system. It makes the controls of fixed and variable costs and has control system track management system management. The ceramics A and D have control system costs less strict, still performed in isolated form by officials of financial without the use of *specific software* for this purpose. The ceramic B presented low control of direct and indirect costs.

The systems of accumulation of costs are important mechanisms used in the successive transfers of values to the products or services offered by the companies. It was observed that 3 (three) ceramics said they would not perform a process of absorption of indirect costs and only one is according to the data collected in the entrevista. Apenas ceramic C, of the four interviewed has the accounting sector internal management, the other concentrate activity in the financial sector and outsource the accounting. With respect to the process of formation of the selling price are similar, because before the direct cost of products apply a margin *Mark-up* and put your selling price. The ceramic A, B and C using the competition to establish the staking of the margin, because they are more forthcoming and there is a lot of ease consumer seeking a lower price. The ceramic D uses only the *Mark-up* to the formation of prices, uses this strategy has a product with superior quality the rest of the region and a considerable distance from its competitors with the same quality.

It should be noted that companies A, B and C produce tiles and bricks, with emphasis on the ceramics that also produces ceramic floors, these present with larger and larger number of products that stand out from others. The ceramic D produces only bricks, but is the leader in technology for the production and the quality of its products. Table 2 shows the characteristics of the process of pricing.

Characteristics	Products	Control Costs	Mark-up	Competition	Internal Accounting	Responsible for pricing
Companies						
The	Tiles, bricks and floors.	Middle	-	Uses	Not	Son of the owner
B	Tiles and bricks.	Low	-	Uses	Not	Owner
C	Tiles and bricks.	High	-	Uses	Yes	Counter
D	Bricks.	Middle	Uses	-	Not	Owner

Table 2: characteristics presented by companies  
Source: Data from the survey (2012)

Companies use as a strategy , competitive advantage and the leadership in cost , because investing in new technologies for the reduction of manufacturing costs. As in the industry, the investment is high, and it becomes a barrier to entry, in relation to competitors, but there is the risk of competitors, in the short term, to adapt to new forms of production.

The decisions of pricing impact directly on the progress of the company, wrong actions can bring problems of profitability, acceptance of the products, loss of market share and many others. Due to this responsibility, the manager of prices must be a licensed professional and consistent. We sought to identify when the managers tend to increase their margins in the market where companies are inserted, as shown in Table 3. There is no unanimity regarding the increase of ceramic products, each interviewee presented a different reason, the ceramics AND chooses to revise the prices of sale according to the seasonality of the market, already the ceramic B revise their prices when the profit margin begins to be reduced because of the increase in costs, the ceramic C increases its prices according to increases in conversion of work, increase energy and inflation, and finally the ceramic D that follows the competition.

Companies	Answer the question: At what point does the price of the products are reviewed?
The	I I touch him as my output of material. I start to move at the end of the rainy season because it starts to heat up the demand.
B	Difficult is the cost to produce that is high, but the price is reasonable, now problem is the cost that is raising increasingly and forge even more the profit margin.
C	A convention of collective work, an estimate of power so significant or even inflation.
D	It is, I agree with the competitors partners, whether they are selling I do not compete with them, including my product today is one of the most expensive in Rondonia, I always work with my ceramic my product, that I I invest in technology, quality, today my products have certificate, then I selling more expensive today I saw not brick i saw quality. I'm so for me, that if it is to equalize, I prefer stop my company. I work independently and without debt.

Table 3: Revision of prices of ceramic products

Source: Data from the survey (2012)

In Table 4, we present the factors that stand out the most to influence the price as competition and the cost of the products, the entrepreneurs reported that have area of costs is very important, but it is no good to have the survey the costs correct without seeing what the competition is doing in their selling prices.

Companies	Answer to the question: Which factor is decisive in your company to create the price of products today, for your company?
The	The sum of the direct costs.
B	Competition.
C	Market, it is not worth you can even set up the price more what will determine is the market don't you talk ah I will not do, you can even do, raise everything, but the market is doing? What the economist makes, it analyzes the market has demand? What is the demand? etc. ... what price? If compensates come outside here? Sometimes you will create product here that the tax incentives here and the other member states on the basis of fiscal war puts here sometimes cheaper than their own production.
D	The factor is costs and quality.

Table 4: factors that influence the price of ceramic products

Source: Data from the survey (2012).

On the basis of competition, who validates the margin is the market, often susceptible to fluctuations in demand, sought to identify through interviews on the positive and negative aspects of pricing, according to the answers to the companies presented as a negative point to fierce competition. Companies seek in some way to reduce the cost to achieve a better margin on the prices offered to the market.

## 5. Conclusion

In this article we analyzed several variables that influence the pricing of ceramic products, characterizing the process of costs, analyzing the variables that influence the process of drawing up the price, evaluating the importance of competition and analyzing what strategies companies have for the pricing of the products, for both developed a applied research, descriptive and qualitative approach.

The methods of data collection consisted of interviews semi-structured, structured questionnaire, non-participating observation, and documentary evidence. The analysis of the data was carried out by means of triangulation between the methods of data collection, in the construction of the analysis of the case study multiple. The content analysis characterized by categorical approach considered the description of methods of setting prices, whereas the tripod of pricing, costs, consumers and competition. Finally, it was possible to carry out a comparative analysis of case studies, identifying the converging factors in the process of price formation.

The research is presented as a case study in which they were interviewed 4 (four) associated companies SINDICER - RO among these four, only 3 (three) are associated with the ANICER - RO, by being larger companies and sales. The methods of data collection consisted of interviews semi-structured, structured questionnaire, non-participating observation, and documentary evidence. The analysis of the data was carried out by means of triangulation between the methods of data collection, in the construction of the analysis of the case study multiple. With the main objective to obtain information on the pricing that helped to identify the strategies followed by the companies.

The data were processed using techniques of triangulation, and content analysis, and descriptive analysis of the information collected through the interview, during the period of study, which were collected variations that occurred between the company in the process of pricing, with presentation in tables of the behavior of the process of pricing. It is assumed that the pricing of ceramic products, in a broader sense, involves a set of various costing systems and management processes that are seeking on the one hand maximize the result and on the other hand to make the ceramic does not lose business to competitors due to mismanagement of the pricing policy.

With respect to the comparative analysis of the companies surveyed noted that they resemble at the start of the production process, the difference is in the line of products and in the burning process of products because, ceramics A and C use Vault ovens and



Tunnel to the burning of their products, the ceramic B only oven Ware and ceramic oven D mobile. The furnace types influence the cost of the product.

In the characterization of cost components in ceramic products, it was observed that the ceramic control only the major direct costs, the majority overlook the indirect costs and administrative expenses and its forms of apportionment to products, impairing the correct formation of cost and price.

The process of pricing is carried out by the owners and their successors, there is virtually no employees employed in this sector, in only one company, the process is carried out by an employee. It was observed that the ceramics use of *Mark-up*, but the majority prioritizes competition as delineated. Diagnosed that the variables that influence pricing are, as a matter of priority to competition, the profit margin followed by costs of products, companies use the season for the adjustments of prices followed by launching new products and the volume of sales.

However, the ceramics demonstrated that observers with respect to the style of strategy to compete. Already the strategic positioning approached the thesis of Porter, where all of the surveyed companies act with strategic target narrower, exploring with more efficiency strategic advantages, with a focus on costs, investing in more modern equipment both in manufacturing and in the burning process of ceramic products. Present as a basis for the definition of the percentage of profit the professional experience and the vision of the market, leaving aside in their majority the financial reports and the profitability designed and do not have the internal accounting which has just harming the internal controls and the management of the company's cost.

Correlating the results found in this research with recent work in the process of formation of the sale price, it can be observed that the results found in dissertation de Oliveira (2012) where the research has shown that, despite the understanding of the importance of the estimate of costs and the formation of prices, the entrepreneurs, in practice, they are informally, without the use of a structured system and disregarding the techniques of cost control and training of existing prices in theory and the lack of a *software* or even a spreadsheet structured to assist decision-makers on costs and prices.

Complementing the question the study of Miqueletto (2008) shows that despite the strategic importance of price formation, many companies still do not have programs to control costs appropriate to its structure, and are not clearly defined. Another aspect found as a result of the present study also presents in the article by Souza *et al* (2006) where due to the high competition in the markets in which it operates, the vast majority of retail businesses informal combines the method of *Mark-up* to the analysis of the prices of competitors and is following the trend of the market in the process of formation of the selling price. In relation to costs, the majority of respondents do not consider the formation of prices the selling and administrative expenses.

In terms of the overall goal that it related to describe the process of formation of the selling price in the industry ceramists of the state of Rondonia, it was possible to characterize the process of costs in pricing of ceramic product and considering the variables that influence this process, as well as the importance of competition in pricing and the tactics used by companies to observe the products.

The results will allow the ANICER-RO and SINDICER-RO establish policies for the training of the sales price based on processes that allow companies select their objectives of price, consider its demands, improve cost controls select a method for determining the sale price, through the provision of courses and training. This study will serve as a basis for further research in other sectors of the economy, serving as a means of consulting academics and managers of companies. It is proposed that the development of new research in price formation in all the ceramics of the state of Rondonia and it is recommended that the analysis in the medium term the growth of enterprises and the analysis of value in pricing of ceramic products.

## 6. References

1. ASSEF, Roberto. *Manages to prices as a tool of marketing/* Roberto Assef. - 3. ed. - Rio de Janeiro: Elsevier, 2011.
2. BABBIE, Earl. *Research Methods of Survey*. Belo Horizonte: Ed. the UFMG, 1999.
3. BARDIN, Laurence. *Analysis of content*. Lisbon: Editions 70, 1977.
4. BERNARDI, Luiz Antonio. *Training Manual price: policies, strategies and fundamentals / 4ed*. Sao Paulo: atlas, 2010.
5. BRUNI Adriano Leal. *The administration of costs, prices and profits - 3. ed. - Sao Paulo: High 2008 - (Series unraveling the finance;v. 5)*.
6. BRUNI and FAMÃ, Adriano Leal; Rubens, *cost Management and pricing: with applications in the calculator HP12C and EXELL/ 5 ed. - 4 print*. Sao Paulo: Atlas, 2011. (Series finance in Practice).
7. *Of course*, Maria Alice de Moura. *Indicators to create a program of participation in profits or results (PLR) : a multicase study/ Mary Alice de Moura Clear*. Florianopolis, 2004. Thesis (PhD) - Universidade Federal de Santa Catarina. Graduate Program in Production Engineering.
8. DOLAN, Robert J. *The power of prices: the best strategies for profit / Robert J. Dorlan, Hermann Siomn; / translation Carlos Cordeiro de Mello* Sao Paulo: Future, 1998.
9. DUTRA, Rene Gomes. *Costs: a practical approach*. 5TH ed. Sao Paulo: Atlas, 2003.
10. HOJIs representative Masakasu. *Financial Administration in practice: guide to financial education and corporate financial management personnel*. 2.ED. - Sao Paulo: Atlas, 2009.
11. KILPATRICK. Editorial Board. *Journal for Research in Mathematics Education*, 19, 98. 1988
12. LUDKE, Menga; ANDREW, Marli E. D. A. *Research in education: qualitative approaches*. Sao Paulo, Editora and Pedagogical University, 1986. 99P.
13. MARTINS, Elisha, *cost Accounting . - 9. Ed. - Sao Paulo: Atlas, 2003*.
14. MARTINS, Gilberto Andrade. *Case Study: a reflection on the applicability in research in Brazil*. OCR - Journal of Accounting and Organizations - Preto/USP, v. 2, n. 2, p. 8 - JAN 18. /Apr. 2008.

15. MERRIAN, S. B. *Qualitative Research and Case Study Applications in Education*. San Francisco: Jossey-Bass Publishers, 1998.
16. MIQUELETTTO, MARY ELUIZ/ Master's Thesis: Training the selling price: An analysis of the process of training in logging companies large Curitiba and Metropolitan region. Eluiz Mary Miquelitto - Curitiba 2008 Federal University of Parana - Parana.
17. MME - Ministry of Mines and Energy, *Statistical Yearbook 2010*. <http://www.mme.gov.br>
18. NAGLE, Thomas; HOLDEN, Reed K. *Strategies and tactics of pricing: a guide to profitable decisions*. Translation: Eliane Pereira Zamith, technical review Andre Torres Urdan. 3. Ed. Sao Paulo: Pearson Prentice Hal, 2005.
19. OLIVEIRA, Barcelona , Spain Pereira/ Master's Thesis: Estimation of costs and pricing in the retail trade of micro and small enterprises of Curvelo-MG. Barcelona , Spain Pereira de Oliveira - Pedro Leopoldo 2012 - Faculdades Integradas Pedro Leopoldo.
20. PORTER, Michael.. *Competitive Strategy: A technique for the analysis of industry and competition - 2.ED* . Rio de Janeiro : Elsevier, 2004 - 7) Reprint.
21. POZZEBON, Marlei, FREITAS, Henrique M. R. de. By a set of principles that allow for the construction of new models of information systems. *Journal of Public Administration*, Rio de Janeiro, v. 31, n. 5, p. 87-104, sept. /Oct. 1997.
22. RAUPP, Fabiano Maury; BEUREN, Ilse Maria. *Research Methodology applicable to the social sciences*. In: BEUREN, Ilse. *As elaborate studies monographic in accounting: theory and practice*. 3RD ed. St. Paul: Atlas, 2006.
23. RICHARDSON, Roberto Jarry. *Social Research: methods and techniques*. 3RD ed. St. Paul: Atlas, 1999.
24. SARDINES, Jose Carlos, /pricing: art of business .Sao Paulo: Makron Books, 1995.
25. SARTORI, Eloi. *Price Management*. Sao Paulo: Atlas, 2004.
26. SEBRAE/ESPM *Market Study - Executive Summary*, 2008.
27. SEPLAN - Secretary of Planning Studies in the State of Rondonia, *Rondonia in Numbers, 2010*, [www.seplan.ro.gov.br](http://www.seplan.ro.gov.br).
28. SOUZA, Antonio Artur de ; ABREU, Danielle Afonso ; SILVA, N. M. ; SILVA, F. F. ; OLIVEIRA , Josmária Lima Brook . Analysis of the process of price formation in retail clothing: case studies in Belo Horizonte/MG. In: 18th Enangrad - National Meeting of Courses in Business Administration, 2007, Ghaziabad. 18th Enangrad - National Meeting of Administration Courses. Rio de Janeiro: ANGRAD, 2007.
29. SOUZA, Antonio Artur *et al.* Price Formation in informal retail: study in the cities of Santa Maria/RS and Belo Horizonte/MG. In: CENEG - NATIONAL CONGRESS OF EXCELLENCE IN MANAGEMENT, 3., Niteroi, Aug. 2006. *Annals ... Niteroi: (S. and)*, 2006b.
30. TRIVIÑOS, Augusto N. S. *Introduction to Research in Social Sciences: Qualitative Research in Education*. Sao Paulo: Atlas, 1987. 175 P.
31. YIN, R. K. *Case Study: planning and methods*. 2. Ed. Translation Daniel Grassi. Porto Alegre: Bookman, 2001. 205 P.
32. ZORNIG, Frederico. *Set the price: and increase your profits*. Sao Paulo: Nobel Prize, 2007